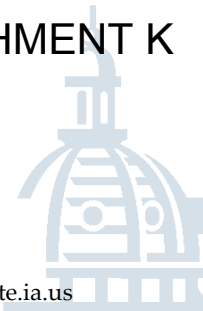


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TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jess Benson

DATE: October 6, 2011

Monthly Medicaid Forecast - September 2011

Forecasting Group. Staff members from the Department of Human Services (DHS), the Department of Management (DOM), and the Fiscal Services Division of the LSA did not meet in September, but final revenue and expenditure information is available for FY 2011 along with final Federal Medical Assistance Percentage (FMAP) match information for FFY 2013. The next meeting of the forecasting group will be held at the end of October.

Medicaid Balance Sheet			
	<i>Final FY2010</i>	<i>Final FY2011</i>	<i>Estimated FY2012</i>
Medicaid Funding			
Carryforward from Previous Year	\$ 36,587,215	\$ 57,523,302	\$ 27,700,401
Veterans Home Transfer	1,833,333	0	3,804,402
Other Transfers	-3,774,367	0	0
ARRA Funds to MHIs	25,874,211	0	0
Property Tax Relief Transfer	3,271,911	0	0
Behavioral Health Account Carryforward	2,136,721	2,082,504	0
Senior Living Trust Fund	17,366,939	40,437,372	0
Transfer from Decat Waiver Waiting List	0	1,925,000	0
Cash Reserve Fund	0	178,693,397	0
Health Care Transformation Account	0	0	1,956,245
Health Care Trust Fund	100,650,740	106,599,657	106,363,275
Nursing Facility Quality Assurance Fund	2,300,000	32,458,722	26,500,000
Hospital Trust Fund	0	31,036,672	36,935,460
hawk-i Performance Bonus	0	6,760,901	9,430,805
Total Non-General Fund for Medicaid	\$ 186,246,703	\$ 457,517,526	\$ 212,690,588
General Fund Appropriation	\$ 590,459,096	\$ 393,683,227	\$ 909,993,421
Covering All Children	47,523	2,297,649	0
Total All General Fund Sources	\$ 590,506,619	\$ 395,980,876	\$ 909,993,421
Total Medicaid Funding	\$ 776,753,322	\$ 853,498,402	\$ 1,122,684,009
Total Estimated State Medicaid Need	\$ 943,785,050	\$ 1,011,653,932	\$ 1,122,684,009
ARRA FMAP	-224,555,030	-187,141,196	0
Behavioral Health Carryforward	0	1,285,265	0
Total Estimated Medicaid Need	\$ 719,230,020	\$ 825,798,001	\$ 1,122,684,009
Midpoint of Balance/(Under Funded)	\$ 57,523,302	\$ 27,700,401	\$ 0
ARRA - American Recovery and Reinvestment Act			

FY 2011 Final. Medicaid ended FY 2011 with a surplus of \$27.7 million dollars. The majority of the surplus was anticipated by the Legislature during budget deliberations and these funds are included in the FY 2012 budget estimates. For FY 2011, the State received an additional \$187.1 million dollars in ARRA funding. In total, over the three years ARRA was in place the State received \$525.7 million in enhanced FMAP for the regular Medicaid program. The total average enrollment for FY 2011 was 380,749, with monthly enrollment at the end of the year reaching 386,336 individuals.

FY 2012 Range. At the August forecasting meeting the group agreed Medicaid will have a need of \$15.0 million to a surplus of \$15.0 million, with a midpoint of no additional funds needed for FY 2012. The range includes the following savings and expenditures as enacted in HF 649 (FY 2012 Health and Human Services Appropriations Act):

- An increase of \$8.5 million for the Children's Health Insurance Program performance bonus.
- A decrease of \$20.2 million due the implementation of the Governor's targeted savings strategies. (For more information on the strategies that are being implemented please contact me.)
- An increase of \$11.6 million to increase nursing facility rates.
- An increase of \$5.0 million to reduce the Home and Community-Based Services (HCBS) waiver waiting list for the Children's Mental Health, Brain Injury and Intellectual Disabilities Waivers.
- An increase of \$3.0 million to increase the pharmacy dispensing fee.
- An increase of \$1.5 million to increase reimbursement for HCBS waiver providers.
- An increase of \$350,000 to increase Psychiatric Medical Institutes for Children (PMIC) reimbursement rates.
- An increase of \$1.0 million to reverse changes made to move mental health drugs to the preferred drug list in SF 2088 (FY 2011 Government Reorganization and Efficiency Act). *This item was vetoed by the Governor and will decrease estimated FY 2011 expenditures by \$500,000 and FY 2012 by \$1.0 million.*

The estimated need for FY 2012 was decreased due to both lower expenditures and increased carryforward in FY 2011.

FY 2013 Range. At the August forecasting meeting the group took an initial look at FY 2013 and set a range of a need of \$91.0 million to \$113.0 million with a midpoint of \$102.0 million. The range includes an increase of \$30.0 million for changes in the FMAP rate, and an increase of \$27.7 million to replace one time carryforward that was available from FY 2011 to FY 2012. Preliminary estimates project enrollment will increase between 3.0% and 4.0% in FY 2013.

Federal Fiscal Year 2013 FMAP. The federal government released the final FMAP rates for Federal Fiscal Year (FFY) 2013. Iowa's FMAP rate was reduced by 1.12% compared to FFY 2012. The reduction is significant, but less than the 1.91% reduction the State received between FFY 2011 and FFY 2012. The Medicaid forecasting group has built in a \$30.0 million increase to account for the change in FMAP rates. The FMAP rate will also affect other programs that receive Medicaid match such as IowaCare and the State Resource Centers, as well as hawk-i which receives an enhanced match rate.

The FMAP formula, as required by federal statute, is based on a rolling three-year average of per capita income for each state and is produced by the U.S. Department of Commerce's Bureau of Economic Analysis. The formula is designed to provide states that have lower per capita income compared to the U.S. as a whole with a greater share of financial assistance. The statute contains both minimum and maximum percentages so no state will have to pay for more than 50.0% of the cost and the federal government will not pay for more than 83.0% of the cost.

Below is a five-year snapshot of Iowa's blended FMAP rate. The rate is blended over two federal fiscal years to account for the federal fiscal year starting in October as opposed to July start for the State.

Five Year State Regular Medicaid FMAP			
State Fiscal Year	Federal Share	State Share	Federal % Change
FY 2009	62.40%	37.60%	0.60%
FY 2010	63.29%	36.71%	0.89%
FY 2011	62.85%	37.15%	-0.44%
FY 2012	61.19%	38.81%	-1.66%
FY 2013	59.87%	40.13%	-1.32%

For more information on FMAP rates please see the Fiscal Topic titled Federal Medical Assistance Percentage (FMAP) Rates: http://www.legis.iowa.gov/DOCS/LSA/Fiscal_Topics/2011/FTJRB000.PDF

Enrollment Increase. Medicaid continues to grow, but at a slower pace than the past several years. In FY 2009, the Program added a total of 31,794 individuals, including 25,935 children. In FY 2010, the Program added an additional 27,164, including 19,286 children. In FY 2011, the Program added 13,735 individuals, including 8,704 children. In the first two months of FY 2012 the Program added 3,364 individuals for a total program enrollment of 389,700.

Medicaid Enrollment Increases/(Decreases) for FY 2012					
FY 2012	Children	Adults	Aged	Disabled	Total
July	271	93	34	288	686
August	1,377	733	123	445	2,678
September	376	-113	48	129	440
Total FY 2012	2,024	713	205	862	3,804
Grand Total	222,954	62,913	29,882	74,391	390,140

Below is a chart detailing Medicaid enrollment over the previous 10 years.

